

Message Text

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ORIGIN STR-04

INFO OCT-01 EUR-12 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-02 INR-07

INT-05 L-02 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02

OMB-01 /102 R

DRAFTED BY STR/KGUENTHER/DLF

APPROVED BY STR/KGUENTHER

EB/OT:WCLARK

TREASURY:PSUCHMAN

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FM SECSTATE WASHDC

TO USMISSION EC BRUSSELS PRIORITY

INFO USDEL MTN GENEVA

AMEMBASSY LONDON

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E.O. 11652: N/A

TAGS: ETRD, GATT

SUBJECT: UK COUNTERVAILING DUTY CASES

PASS TO AMBASSADOR DENT FROM GUENTHER

1. THOMAS SHARPE, COMMERCIAL COUNSELLOR OF BRITISH EMBASSY,
HAND DELIVERED TO STR COPY OF AIDE MEMOIRE GIVEN TO DEPART-
MENT OF STATE THIS AFTERNOON RELATING TO PENDING COUNTER-
VAILING DUTY CASES STEMMING FROM WHAT UK CHARACTERIZES AS
THEIR INVESTMENT AND REGIONAL DEVELOPMENT POLICIES. SHARPE
INDICATED THAT BRITISH OFFICIALS PLANNING TO RAISE THIS
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MATTER WITH AMBASSADOR DURING LONDON VISIT IN A LOW KEY WAY
SINCE THEY RECOGNIZE THAT THE PRIMARY RESPONSIBILITY IN
THIS AREA RESTS WITH THE TREASURY DEPARTMENT.

THE CONCLUSION TO THE AIDE MEMOIRE READS AS FOLLOWS:

THE TERMS BOUNTY OR GRANT ARE SO WIDE THAT THEY COULD COVER VIRTUALLY ANY GOVERNMENT ACTIVITY. THE CRITICAL CRITERION IN ARTICLE VI OF THE GATT IS THE NEED TO DEMONSTRATE MATERIAL INJURY BEFORE COUNTERVAILING. WITHOUT THIS CRITERION, THE U.S. MUST AND HAS APPLIED GUIDELINES IN INTERPRETING THE FORMS OF ACTIVITY BY FOREIGN GOVERNMENTS WHICH CONSTITUTE BOUNTIES AND GRANTS, AND HER OWN COURTS

HAVE RECOGNISED THAT THIS IS NECESSARY. HMG CONTEND THAT, LEAVING ASIDE MATERIAL INJURY, A MAJOR CRITERION IN DECIDING WHAT CONSTITUTES A BOUNTY OR GRANT SHOULD BE WHETHER THE ACTIVITY RESULTED IN UNFAIR LOWERING OF EXPORT PRICES. HMG ARE SATISFIED THAT U.K. REGIONAL POLICY HAS NOT HAD THE EFFECT OF UNFAIRLY LOWERING THE EXPORT PRICES OF BRITISH INDUSTRY. ITS PURPOSE HAS BEEN TO BRING ABOUT A FAIRER DISTRIBUTION OF ECONOMIC RESOURCES BETWEEN DIFFERENT PARTS OF THE COUNTRY AND ANY PROPOSALS BY A FOREIGN GOVERNMENT TO STIGMATIZE THIS NECESSARY DOMESTIC POLICY, WITH THE PROSPECT OF DAMAGE TO THE LEGITIMATE OPERATIONS OF A BRITISH COMPANY, THROUGH THE IMPOSITION OF COUNTERVAILING DUTIES, WOULD BE VERY BADLY RECEIVED.

2. SHARPE ALSO COMMENTED ON THE MTN SUBGROUP MEETING ON STANDARDS AND EXPRESSED DISAPPOINTMENT OVER EC POSITION (SEE GENEVA 3647). HE INDICATED THAT IF U.S. IS SERIOUSLY INTERESTED IN EARLY CONCLUSION OF STANDARDS CODE NEGOTIATION THAT IMPORTANCE OF SAME SHOULD BE EMPHASIZED TO SOAMES AS WELL AS BRITISH OFFICIALS. INGERSOLL

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